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# Office Memorandum • UNITED STATES GOVERNMENT

## CONFIDENTIAL

TO

DATE: 10 April 1950

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FROM

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SUBJECT: ORE 7-50, reappraisal of

1. Developments since 20 February 1950, the information date of ORE 7-50, do not substantially alter the main conclusions of that estimate. These are a.) that no Nationalist regime will effect political and military adjustments sufficient to defend the island successfully against a combination of internal and external threats, and b.) that the Chinese Communists are capable of seizing Taiwan before the end of 1950, and will probably do so. However, the total weight of reports concerning these developments, most of which indicate an improved situation for the Nationalists, somewhat weakens the assurance with which the timing of future events can be forecast.

2. During this period, it is true, the morale of the Nationalists appears to have taken a turn for the better. Some pick-up in Nationalist military capabilities seems indicated by the effectiveness of air raids on the mainland, the continuing sea blockade, the repulse of small scale Communist thrusts at Hainan and other coastal islands, and recent Nationalist ground force raids on the mainland. The Nationalist military command seems to have gained greater cohesion as a result of reorganization which occurred with the return of Chiang Kai-shek to the Presidency in March. The present trend of reporting and interpretation is more favorable to the Nationalists than it has been at any time since late 1947. However, this apparent improvement in the Nationalist military situation has taken place during a lull in military activity. The extent to which this improvement is real rather than apparent will remain untested, until the next major Communist assault. The past record of the Nationalists indicates that, until proved to the contrariwise, their military weaknesses are deep-seated and permanent. Furthermore, recent arrests, on a large scale, provide evidence that there is disaffection, involving thousands of personnel, in the armed forces.

3. The political situation in Taiwan, both as concerns the provincial and the National governments, has showed signs of improvement with factionalism less in evidence than before. This is in contrast to the trend of deterioration indicated in ORE 7-50. The overall economic situation, as indicated, is fairly stable, offering no immediate threat to internal security and permitting continued resistance through 1950. This apparent political and economic stability is probably dependent upon a feeling of military security, and would probably be very adversely affected by a new Communist offensive, especially if such an offensive resulted in capture of the Chou-shan Islands and air raids on Taiwan. Furthermore, so long as Chiang Kai-shek and his close adherents are in control, there remain doubts as to the efficiency and sincerity of the Nationalists' political leadership.

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4. Although the Communists are believed to be encountering considerable administrative and consolidation difficulties in South and East China, the extreme severity of these reports is considered exaggerated. It is believed that these reported internal difficulties are not of proportions sufficient to affect significantly the military capabilities of the Chinese Communist Forces. Furthermore, occasional reports during the past three months that there is disaffection in the top command of the People's Liberation Army are largely unsubstantiated rumors, and therefore are not regarded as evidence that internal strife will divert the Communists from their major objective of eliminating Nationalist opposition.

5. Moreover, recent supplementary troop movements of Chinese Communist forces into the Shanghai-Hangchow-Ningpo area point to either 1) an early, large scale attack against the Nationalists' Chou-shan Island bases, or 2) a neutralizing action against the Chou-shans with the major effort directed against Taiwan.

6. A basic obstacle to Communist invasions of Taiwan, Hainan, and the Chou-shans is the Nationalist Airforce and Navy. The Chinese Communists are known to have long been attempting to counter this obstacle by subversive means. It now appears that this Communist problem may soon be solved by the appearance of a Soviet-assisted Chinese Communist air-arm. Such air opposition probably could neutralize, if not eliminate, the defensive capabilities of the Nationalist Navy and Airforce. Furthermore, the appearance of a Communist airforce would tend to balance whatever advantage the Nationalists may have gained in morale and military cohesion.

7. The Chinese Communists have made no disavowal of their announced intention to achieve the "liberation" of Taiwan, Hainan, and Tibet during 1950. These objectives were announced repeatedly during January and February; since early March we have no further public statements reiterating these 1950 military objectives, but this silence is not viewed as necessarily indicating the abandonment of these objectives.

8. It will be noted that there is a considerable element of the unknown in most of the considerations briefly discussed above. These unanswered questions suggest that conclusions can be drawn with less certainty now than even three months ago. The fall of Taiwan, before the end of 1950, still seems the most likely course of future developments, but the possibility of a somewhat longer survival of the Nationalist regime on that island should not be excluded.

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